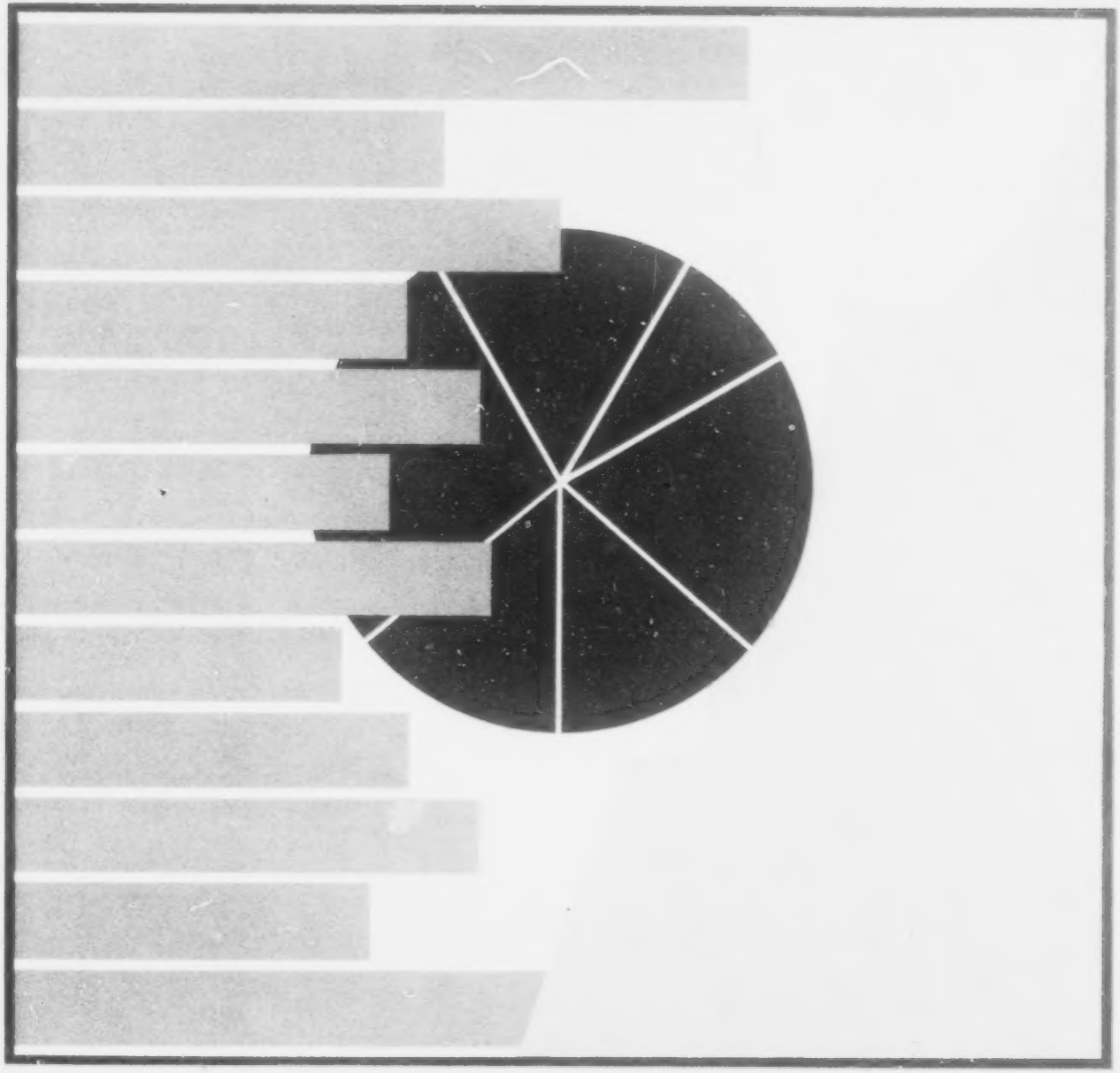
A4325-1 U
12/2-81



Council for Financial Aid to Education, Inc.

Corporate Support of Higher Education 1980

Council for
Financial Aid to
Education, Inc.

Foreword

The results reported in this survey run counter to what one might have expected in 1980. The respondents recorded large increases in their support of education despite a minimal rise in pretax net income. Corporate-sponsored foundations were able to sustain the contributions levels of some companies that experienced losses or declines in earnings, thus fulfilling one of their purposes as a buffer against the ups and downs of the business cycle. The continued growth of education support is proof, we believe, of the increasing commitment of the corporate world to a healthy and diverse higher education system.

Recent events, however, will affect the future of both higher education institutions and corporate supporters of education, thus presenting a new challenge to both groups.

Cuts in the federal budget will make serious inroads in governmental support for student aid, research and categorical programs upon which the institutions have come to rely. These cuts come at a time when college and university budgets are already under pressure from inflation, from state legislatures resistant to requests for additional appropriations and from increased competition for students. Tuition increases alone cannot provide all of the money necessary if institutions are to maintain the quality of educational offerings, renovate aging facilities and keep up with the explosion in educational technology. Some institutions will not be able to survive; others will have to rethink their mission and their programs.

Corporations, too, face a difficult period. Continuing inflation, high interest rates and sluggish profits are part of an uncertain economic climate which may eventually have a negative effect on corporate philanthropy. This may be partly counterbalanced by the provisions of the Economic Recovery Tax Act of 1981, which eased certain aspects of the corporate tax burden, enlarged to 10 percent the amount of taxable income that can be deducted for charitable contributions and loosened the regulations on valuation of certain gifts in kind and on some incremental research costs. These changes, however, will not by themselves produce significant increases in corporate support of higher education.

Both corporations and colleges have much to gain by extending and reinforcing the closer working relationships that have lately been replacing the wary aloofness of the sixties. Creative solutions to the problems facing both are possible, and it is likely that many of them will be found by seeking those solutions together. Increasing corporate support is only a modest part of a much larger program of corporate-campus interaction. Further increases in corporate support of education will come naturally as business and the economy prosper and as corporations perceive even more clearly how higher education is contributing to this prosperity.

John R. Haire
President

November 1981

Highlights

National Estimates — Page 2

Education Support Reached an Estimated $1 Billion for the first time, a 12.4 percent rise over 1979 and more than double the $450 million of 1975

Percentage of Pretax Net Income to Education Jumped Dramatically to 0.41, a level not seen in a decade

Education's Share of Total Contributions Remained Stable at 37.0 percent

Inflation Eroded Gains in education support between 1967 and 1980, limiting the average annual gain to 2.0 percent (in 1967 dollars) compared to the 9.3 percent gain in current dollars

Survey Results — Page 5

Education Continued to Receive Record Share of total contributions, now at 37.8 percent for the 732 companies responding to the survey

Contributions by Company Foundations Exceeded Receipts from their sponsors; when combined with the increased direct contributions by the companies, they produced total gifts that were 19.0 percent above those reported by a larger number of companies in 1979

543 Companies in Both 1980 and 1979 Surveys reported an 18.4 percent growth in education support despite only 1.1 percent rise in pretax net income (PTNI)

Printing and Publishing Industry again ranked first in percentage of pretax net income (0.90) and percentage of total contributions (54.4) going to education

Manufacturing Companies as a Group contributed 0.24 percent of PTNI to education, nonmanufacturing companies 0.16 percent

Direct Support of Colleges and Universities claimed 71.2 percent of corporate support of education in 1980, the same percentage as in 1979, but there were shifts in other purposes of support

Appendix — Page 18

National Measures of Total Corporate Contributions by the Internal Revenue Service differ from the actual flow of corporate dollars to donees

Definitions, Biases and Measurements in this report

Corporate Support of Higher Education 1980

Additional copies, $5.00 prepaid

Corporate Support of Higher Education 1980

Highlights

National Estimates — Page 2

Education Support Reached an Estimated $1 Billion for the first time, a 12.4 percent rise over 1979 and more than double the $450 million of 1975

Percentage of Pretax Net Income to Education Jumped Dramatically to 0.41, a level not seen in a decade

Education's Share of Total Contributions Remained Stable at 37.0 percent

Inflation Eroded Gains in education support between 1967 and 1980, limiting the average annual gain to 2.0 percent (in 1967 dollars) compared to the 9.3 percent gain in current dollars

Survey Results — Page 5

Education Continued to Receive Record Share of total contributions, now at 37.8 percent for the 732 companies responding to the survey

Contributions by Company Foundations Exceeded Receipts from their sponsors; when combined with the increased direct contributions by the companies, they produced total gifts that were 19.0 percent above those reported by a larger number of companies in 1979

543 Companies in Both 1980 and 1979 Surveys reported an 18.4 percent growth in education support despite only 1.1 percent rise in pretax net income (PTNI)

Printing and Publishing Industry again ranked first in percentage of pretax net income (0.90) and percentage of total contributions (54.4) going to education

Manufacturing Companies as a Group contributed 0.24 percent of PTNI to education, nonmanufacturing companies 0.16 percent

Direct Support of Colleges and Universities claimed 71.2 percent of corporate support of education in 1980, the same percentage as in 1979, but there were shifts in other purposes of support

Appendix — Page 18

National Measures of Total Corporate Contributions by the Internal Revenue Service differ from the actual flow of corporate dollars to donees

Definitions, Biases and Measurements in this report

Additional copies, $5.00 prepaid

Inflation a Continuing Problem

In the last three decades the average annual growth rates of PINI, total corporate contributions and support of education have varied considerably:

Average Annual Growth Rates

		Corporate Contributions		
	PINI	Total	Education	Inflation
1950s	1.3%	6.7%	13.1%	2.1%
1960s	4.1	7.2	9.6	3.7
1970-80	12.5	13.0	12.1	7.6
1967-80	9.0	9.5	11.1	4.2

In contrast to the small average growth in profits during the 1950s, support of education rose rapidly, in part because it started from a small base and in part because the legal cloud over those contributions was lifted. Increases such as these were not seen again until the 1970s, when all three factors grew rapidly. Inflation, however, has been at the root of much of this recent growth.

Chart 1 illustrates the growth of grants to education in current dollars since 1967 and shows that there was a sharp upsurge after 1975. It also shows that when dollar amounts are adjusted for the Consumer Price Index, there was no growth between 1967 and 1975 and only a modest rate of growth between 1975 and 1980.

Inflation has cut the average increase of 9.3 percent per year in current dollars since 1967 to a 2.0 percent gain in real terms. And gifts to education are not the only victim. Between 1967 and 1980 PINI increased 9.0 percent in current dollars but only 1.7 percent when adjusted; total contributions rose 9.5 and 2.1 percent respectively.

At the same time, dollars flowing to educational institutions were eroded in another way. The costs of educational institutions rose faster than consumer prices in general. A Higher Education Price Index developed by the National Institute of Education measures changes in the costs of goods and services paid for by institutions of higher education. From a base of 100 in the academic year 1966-67, this index rose to 238.3 in 1979-80; the Consumer Price Index rose to 232.1.

Chart 1
Estimated Corporate Contributions to Education, 1967-1980 (millions of dollars)

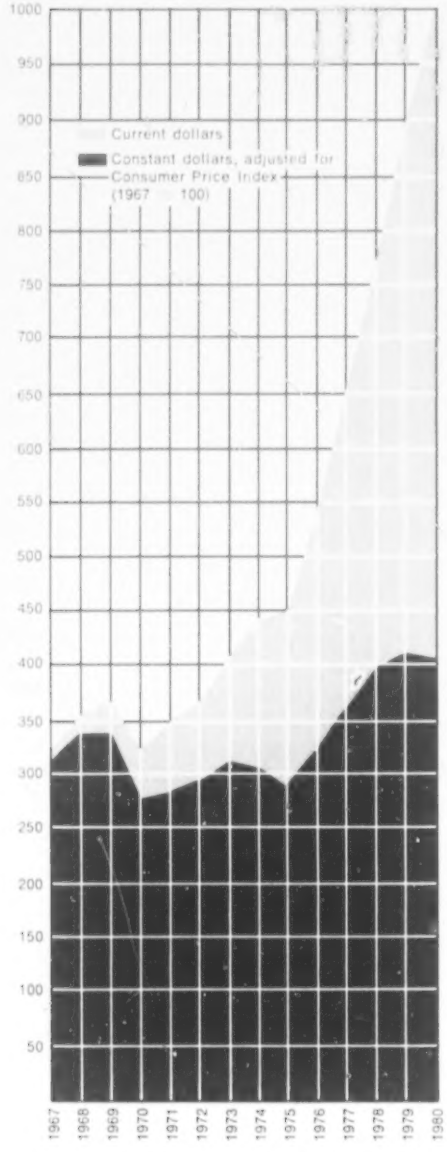


Table II
Corporate Support of Colleges and Universities in Relation to Total Voluntary Support and Institutional Expenditures

Year	Total Expenditures of Institutions of Higher Education* (billions)	Voluntary Support of Institutions of Higher Education** (millions) Total	Corporate	Voluntary Support as a Percentage of Institutional Expenditures Total	Corporate	Corporate Support as a Percentage of Total Voluntary Support
1967-68	19.9	1,600	250	8.0	1.3	15.6
1968-69	22.0	1,800	272	8.2	1.2	15.1
1969-70	24.7	1,780	269	7.2	1.1	15.1
1970-71	27.1	1,860	259	6.9	1.0	13.9
1971-72	29.2	2,020	275	6.9	0.9	13.6
1972-73	31.4	2,240	318	7.1	1.0	14.2
1973-74	34.3	2,240	354	6.5	1.0	15.8
1974-75	38.9	2,160	357	5.6	0.9	16.5
1975-76e	42.7	2,410	379	5.6	0.9	15.7
1976-77	46.3	2,670	446	5.8	1.0	16.7
1977-78	49.6	3,040	508	6.1	1.0	16.7
1978-79	54.0	3,230	556	6.0	1.0	17.2
1979-80	60.4	3,800	696	6.3	1.2	18.3
1980-81 e.	68.0	4,300	790	6.3	1.2	18.4

* U.S. Department of Education.
** Estimates by CFAE from Surveys of Voluntary Support of Education, from government documents and other sources.
e. estimate

The Importance of Corporate Support to Higher Education

Corporations have historically allocated about 70 percent of their total support of education to colleges and universities. Although these gifts have in the past accounted for between 14 and 17 percent of the total voluntary support received by these institutions, they reached a record level of 18.3 percent in 1979-80. As can be seen in Table II, both corporate and total voluntary support have increased substantially since 1967-68, with only slight dips during the recessions in 1969-70 and 1974-75. Over this period, however, voluntary support did not keep up with the steady rise in institutional expenditures.

Since 1974-75, however, the picture has improved substantially. Although institutional expenditures continued to grow at an average annual rate of 9.2 percent, both total voluntary support and corporate gifts and grants rose even faster, exhibiting compound growth rates over the five-year period of 12.0 percent and 14.3 percent, respectively. The share that each contributed to institutional budgets therefore increased, approaching the levels seen in the late 1960s and early 1970s. Even though inflation in the costs of the goods and services purchased by institutions of higher education, as measured by the Higher Education Price Index, cut into all of these gains, the expanded importance of voluntary support was real, whether looked at in terms of current or constant dollars.

Preliminary estimates indicate that these trends continued in 1980-81. It is estimated that institutional expenditures rose a little faster than in the previous five years, while both total voluntary support and corporate support grew at somewhat higher rates. Their shares of institutional expenditures therefore leveled off, and corporate support represented a somewhat larger proportion of total voluntary support than ever before. In part, the faster expansion in corporate support may reflect the increasing number of colleges and universities seeking and receiving corporate gifts and grants. In 1962-63, 55 percent of all institutions participating in the Survey of Voluntary Support of Education reported receiving corporate support. By 1979-80 the figure was 95 percent. Almost all of those reporting no corporate support were religious seminaries, small public colleges and two-year institutions.

Part II.
The Survey Results

Analysis of the 732 survey responses takes two forms: a look at contributions patterns and relationships over time; and comparisons of the participants by various groupings, such as industry, company size and marketing areas and by the purposes for which they made grants.

Comparisons Over Time

Both total contributions and support of education reported by the 732 companies in 1980 were substantially greater than those reported by a larger number of companies in 1979, but the rate of increase was somewhat smaller. These patterns are shown in **Table III.** Education support increased somewhat more than did total contributions, so that its share of reported corporate contributions reached a new record for the third year in a row. This increase was primarily at the expense of gifts to health and welfare, whose share of corporate philanthropy is now almost 3 percentage points smaller than in 1978.

Corporate contributions are made in two ways: by the corporations themselves and by their foundations. The relationship between these two sources is shown in **Table IV,** which reconciles the figures reported for income tax purposes with the actual disbursements to various donees. As can be seen, corporate grants to their own foundations were only 2.5 percent more in 1980 than in 1979, a recession year, while contributions made by the foundations increased by 22.6 percent. For the first time since 1975, another recession year, grants made by the foundations exceeded company payments into the foundations, causing some foundations to draw on the reserves accumulated in better years. Investment of these reserves also produced earnings that were distributed as grants.

Table III
Distribution of Corporate Contributions
(Millions of dollars)

	1980 732 companies		1979 786 companies		1978 759 companies	
Education	$375.8	37.8%	$314.8	37.7%	$256.3	37.0%
Health and Welfare	337.9	34.0	292.6	35.0	255.9	36.9
Culture and Art	108.7	10.9	82.5	9.9	70.0	10.1
Civic Activities	116.8	11.7	97.3	11.6	79.0	11.4
Other	55.4	5.6	48.3	5.8	32.0	4.6
	$994.6	100.0%	$835.5	100.0%	$693.2	100.0%

Table IV
Structure of Corporate Contributions
(Millions of dollars)

	1980		1979		1978	
Total company contributions	$944.7	(709)	$855.7	(763)	$834.4	(759)
Less: Grants to company foundations	381.4	(249)	372.1	(291)	418.7	(249)
Other company contributions	563.3	(661)	483.6	(722)	415.7	(696)
Plus: Contributions by company foundations	431.3	(353)	351.9	(352)	277.5	(329)
Total corporate contributions	$994.6	(732)	$835.5	(786)	$693.2	(759)

(Numbers in parentheses are counts of non-zero answers.)

Table V
Total Contributions and Support of Education in Relation to Worldwide and U.S. Only Pretax Net Income, Assets, and Sales (000 omitted)

Worldwide	1980 659 companies	1979 724 companies	1978 711 companies	1977 749 companies	1976 727 companies
Total Contributions	$ 959,249	$ 804,656	$ 671,721	$ 573,517	$ 505,180
Support of Education	362,494	303,876	248,334	204,127	185,442
Pretax Net Income	164,735,000	159,750,200	138,496,000	119,966,200	103,295,200
Assets	2,642,819,000	2,351,233,700	2,082,603,800	1,939,027,600	1,689,047,900
Sales	1,816,457,000	1,635,196,200	1,335,164,600	1,220,759,200	1,014,639,000
Total Contributions as % of:					
Pretax Net Income	0.582	0.504	0.485	0.478	0.489
Assets	0.036	0.034	0.032	0.030	0.030
Sales	0.053	0.049	0.050	0.047	0.050
Support of Education as % of:					
Pretax Net Income	0.220	0.190	0.179	0.170	0.180
Assets	0.014	0.013	0.012	0.011	0.011
Sales	0.020	0.019	0.019	0.017	0.018
Support of Education as % of Total Contributions	37.8	37.8	37.0	35.6	36.7

U.S. Only	477 companies	539 companies	528 companies	552 companies	531 companies
Total Contributions	$ 532,260	$ 497,308	$ 411,676	$ 317,386	$ 279,319
Support of Education	192,482	188,832	145,458	105,447	90,049
Pretax Net Income	65,963,000	74,638,900	68,835,900	56,553,100	45,830,600
Assets	1,190,370,000	1,217,263,400	1,184,678,000	1,088,750,400	931,750,700
Sales	797,304,000	788,442,300	660,723,400	588,315,900	465,280,800
Total Contributions as % of:					
Pretax Net Income	0.807	0.666	0.598	0.561	0.610
Assets	0.045	0.041	0.034	0.029	0.030
Sales	0.067	0.063	0.062	0.053	0.060
Support of Education as % of:					
Pretax Net Income	0.292	0.253	0.211	0.187	0.200
Assets	0.016	0.016	0.012	0.010	0.010
Sales	0.024	0.024	0.022	0.018	0.019
Support of Education as % of Total Contributions	36.2	38.0	35.3	33.2	32.2

Various relationships between contributions and financial data are compared in **Table V.** The patterns reported on the basis of worldwide figures are quite different from those reported on United States operations only. In large measure the downturn in domestic sales and earnings—in contrast to the small growth for worldwide sales and earnings—is responsible for these differences.

On a worldwide basis both total contributions and education support rose dramatically in 1980, a period in which all the financial measures, and especially pretax net income, grew only minimally. The percentage ratios of total contributions and education support to PTNI thus reached new highs, while the ratios to assets and sales increased slightly. Using a domestic basis, on the other hand, produces entirely different relationships. Total contributions rose slightly, giving to education was almost flat, and PTNI dropped. The result was soaring percentage ratios, a pattern seen in previous recession years.

The fact that varying numbers and types of companies have responded to the survey each year makes comparisons over time difficult. **Table VI** addresses this problem by looking at 543 companies that participated in both 1979 and 1980. Significantly, their experiences differ from national

Table VI
Support of Education, Two Survey Years
(543 Companies Participating in Both Surveys)

Industry	1980 Worldwide Pretax Net Income (millions)	Support of Education Amount (000)	% of PTNI	% of Total Contributions	1979 Worldwide Pretax Net Income (millions)	Support of Education Amount (000)	% of PTNI	% of Total Contributions	% Change 1980-1979 Education	PTNI	Total Contributions
MANUFACTURING											
Chemicals(36)	$ 12,962	$ 39,147	.302	48.2	$ 12,812	$ 34,696	.271	47.5	+12.8	+ 1.2	+11.3
Electrical Machinery(31)	14,630	35,109	.240	42.8	13,834	30,549	.221	41.9	+14.9	+ 5.8	+12.5
Fabricated Metals(17)	1,188	2,664	.224	35.1	1,112	2,213	.199	32.4	+20.4	+ 6.8	+11.3
Food, Beverage & Tobacco(33)	7,781	18,251	.235	35.3	6,946	20,940	.301	46.1	−12.8	+12.0	+13.9
Machinery(37)	4,808	16,752	.348	43.0	5,709	13,774	.241	38.2	+21.6	−15.8	+ 8.0
Mining(7)	1,268	3,284	.259	46.8	1,044	2,623	.251	48.7	+25.2	+21.4	+30.4
Paper & Allied Products(18)	2,975	13,397	.450	41.5	3,714	8,839	.238	40.7	+51.6	−19.9	+48.5
Petroleum & Gas(27)	57,395	80,498	.140	45.2	47,598	55,876	.117	47.3	+44.1	+20.6	+50.8
Pharmaceuticals(14)	3,796	12,087	.318	31.2	3,450	10,521	.305	34.8	+14.9	+10.0	+28.2
Primary Metals(16)	2,975	10,903	.366	37.3	2,550	9,799	.384	38.1	+11.3	+16.7	+13.4
Printing & Publishing(9)	902	8,129	.901	54.4	911	5,955	.653	50.8	+36.5	− 1.0	+27.4
Rubber(8)	425	2,489	.586	37.3	535	2,350	.439	36.2	+ 5.9	−20.6	+ 2.9
Stone, Clay & Glass(13)	1,517	4,975	.328	33.8	1,706	4,430	.260	32.7	+12.3	−11.1	+ 8.6
Textiles & Apparel(13)	997	4,290	.430	33.4	945	3,922	.415	41.6	+ 9.4	+ 5.5	+36.2
Transportation Equipment(15)	−1,248*	26,407	*	40.4	9,173	27,498	.300	44.3	− 4.0	*	+ 5.2
TOTAL—(294)	$112,371	$278,381	.248	42.1	$112,040	$233,985	.209	43.4	+19.0	+ 0.3	+22.8
NONMANUFACTURING											
Banks(66)	$ 6,699	$ 15,238	.227	26.3	$ 6,150	$ 12,614	.205	26.1	+20.8	+ 8.9	+20.0
Business Services(9)	1,088	2,117	.195	30.1	1,103	1,923	.174	35.0	+10.1	− 1.4	+26.2
Engineering & Construction(4)	891	1,201	.135	29.2	704	1,006	.143	28.2	+19.4	+26.6	+15.2
Finance(6)	516	1,082	.210	31.2	460	824	.179	21.3	+31.3	+12.2	−10.3
Total—Insurance(62)	6,529	15,125	.232	32.1	6,711	12,839	.191	33.6	+17.8	− 2.7	+23.1
Life(45)	4,651**	12,091	.260	32.9	4,689**	10,295	.220	34.4	+17.4	− 0.8	+23.2
Property/Liability(17)	1,879***	3,034	.161	29.5	2,023***	2,544	.126	30.4	+19.3	− 7.1	+22.7
Merchandising(11)	2,084	6,817	.327	18.4	2,246	5,788	.258	15.1	+17.8	−40.0	− 3.4
Telecommunications(21)	11,583	12,766	.110	28.1	11,532	11,708	.102	27.0	+ 9.0	+ 0.4	+ 4.9
Transportation(7)	1,765	2,709	.153	24.1	1,406	2,303	.164	22.5	+17.6	+25.5	+ 9.9
Utilities(63)	8,884	7,454	.084	28.3	7,662	6,458	.084	27.4	+15.4	+15.9	+11.3
TOTAL—(249)	$ 40,040	$ 64,510	.161	26.9	$ 37,975	$ 55,461	.146	25.8	+16.3	+ 2.5	+11.5
GRAND TOTAL—(543)	$152,411	$342,891	.225	38.0	$150,014	$289,446	.193	38.4	+18.4	+ 1.1	+19.6

* For the 17 companies reporting a profit, support of education was .245 percent of PTNI and 34.1 percent of total contributions.
** Net gains less policyholder dividends.
*** Net income less policyholder dividends and capital gains.

trends. This group of companies reported a slight increase in pretax net income rather than a pretax profit downturn, and the increases in both total contributions and education support were greater than those estimated for all corporations. Only two industries reported decreases in education grants; all but three of the remaining industry groups increased their education support by double digit percentages, despite profit downturns in eight cases.

Since education support increased less than total contributions, its proportion of total gifts and grants decreased slightly. That pattern was especially pronounced with the manufacturing companies, which report about three times as much income as the nonmanufacturing companies and contribute a little over four times as much to education. The nonmanufacturing companies, on the other hand, increased their gifts to education faster than to other causes.

Variations in the relationships between pretax net income and support of education for each industry group should be interpreted with caution, since they are influenced by the profit picture in the industry as well as by the dollar amounts contributed. When profits are flat or decline, the percentage ratio rises even if the gift dollars remain constant. The rubber industry is an example of this situation. A dramatic rise in the ratio can result from a large rise in gifts to education when profits remain constant or decrease, as happened for example, with the printing and publishing industry. On the other hand, the ratio will remain the same when both education contributions and profits rise at approximately the same rate, as was the case with the utilities.

Comparisons by Groupings

By Industry

There are several useful ways of comparing contributions to education by industry. One is a ranking by percentage of total contributions, another is by percentage of pretax net income. **Chart 2** graphically asks the question: Is there a correlation between these two relationships? It shows that the relationship is not strong. Only three industries share the same rank on both measures—printing and publishing, finance and telecommunications. Yet 7 of the 12 industry groups with ranks from 1 through 12 with respect to the relationship between education and total contributions also have ranks within that range for the relationship between education support and PTNI. Eight of the 13 industries share the ranks of 13 through 25 for both ratios. If the range of ranking is divided into quarters, however, there are fewer industry groups that rank within the same quartile on both measures, except in the lowest quartile, which 5 of the 7 industry groups share. The chart also shows that manufacturing companies, in general, tend to give education a larger share of total contributions than do nonmanufacturing companies and that the manufacturers also tend to contribute a larger percentage of pretax net income to education than do their nonmanufacturing counterparts.

Examining additional factors brings greater understanding of the giving patterns by industry. **Table VII** presents details about relationships with several financial measures.

In this sample the pretax net income, sales and total contributions reported by the manufacturing companies were almost three times as large as those reported by the nonmanufacturing companies. At the same time the manufacturing companies gave over four times as much to education as did the nonmanufacturers. The percentage of PTNI going to education from the manufacturing companies was thus larger than that from the nonmanufacturers; indeed, as a group the manufacturers gave a larger percentage of PTNI than did all but two of the nonmanufacturing groups—life insurance and merchandising. It is striking to note, however, the degree to which the losses in the transportation equipment industry affect the ratios, not

Chart 2
Comparative Rankings of Educational Support, by Industry, 1980

only for the industry itself, but also for all manufacturing companies and for the total sample.

Gross comparisons between the 659 respondents in 1980 and the 724 in 1979 show that both total contributions and education support were much larger percentages of PTNI in 1980 than in 1979. Much of this is because PTNI in 1980 was only slightly higher than that reported in 1979 and, as noted above, because of the influence of the profit picture in the transportation equipment industry.

Several of the manufacturing industries giving large dollar amounts to education reported low amounts of pretax net income and hence showed a high percentage of PTNI flowing to education. There is a tendency toward an inverse relationship between education support and pretax net income among the manufacturing industries: the larger the profits, the smaller the percentage given to education, and vice versa.

Conversely, the nonmanufacturing industries by and large exhibited a direct relationship between the two. They gave a relatively small proportion of their total contributions to education, and education support was a small percentage of their PTNI. Total contributions were on average a higher percentage of PTNI than was true for the manufacturers as a group.

Variations in the proportion of total contributions to education were quite wide, ranging from a low of 18.4 percent to a high of 54.4 percent. The manufacturers were on the high side of the range, and the nonmanufacturers on the low side. In fact, no single nonmanufacturing group gave as much emphasis to education as did either the manufacturers as a whole or, with the exception of the pharmaceutical companies, any of the manufacturing industries.

Table VII
Total Contributions and Support of Education in Relation to Worldwide Pretax Net Income, Assets, and Sales, 1980

Industry	Pretax Net Income (millions)	Assets (millions)
MANUFACTURING		
Chemicals(43)	$ 13,571	$ 104,165
Electrical Machinery(42)	15,694	98,044
Fabricated Metals(24)	1,610	15,169
Food, Beverage & Tobacco(41)	8,709	58,223
Machinery(46)	4,969	50,880
Mining(7)	1,268	12,233
Paper & Allied Products(20)	2,980	33,874
Petroleum & Gas(32)	62,324	318,047
Pharmaceuticals(16)	4,000	22,249
Primary Metals(18)	3,394	45,762
Printing & Publishing(9)	902	6,587
Rubber(9)	478	14,797
Stone, Clay & Glass(16)	1,620	17,371
Textiles & Apparel(16)	1,017	8,346
Transportation Equipment(20)	—1,035[1]	107,471
TOTAL—(359)	$121,501	$ 913,218
NONMANUFACTURING		
Banks(82)	$ 7,291	$ 881,393
Business Services(18)	1,386	27,324
Engineering & Construction(5)	897	6,728
Finance(6)	516	19,205
Total—Insurance(64)	6,248	368,925
Life(44)	4,496[1]	319,144
Property/Liability(20)	1,752[1]	49,780
Merchandising(16)	2,360	49,642
Telecommunications(23)	11,492	163,739
Transportation(11)	2,480	38,998
Utilities(75)	10,563	173,647
TOTAL—(300)	$ 43,233	$1,729,601
GRAND TOTAL—(659)	$164,735	$2,642,819
1979 Grand Total—(724)	$159,750	$2,351,234

[1] Includes four loss companies. If the loss, total contributions and education support figures for these companies were excluded, the key ratios for the remaining companies would be as follows:

Industry	% of PTNI: Total Contributions	% of PTNI: Education Support	Education as % of Total Contributions
Transportation Equipment(16)	.793	.269	33.9
All Manufacturing(355)	.523	.218	41.8
All Respondents(655)	.545	.204	37.4

Sales (millions)	Total Contributions (000)	Support of Education (000)	Total Contributions as % of: PTNI	Assets	Sales	Support of Education as % of: PTNI	Assets	Sales	Support of Education as % of Total Contributions	Industry
										MANUFACTURING
$ 126,020	$ 83,930	$ 40,116	.618	.081	.067	.296	.039	.032	47.8	Chemicals(43)
127,064	90,352	38,613	.576	.092	.071	.246	.039	.030	42.7	Electrical Machinery(42)
23,437	14,513	6,857	.901	.096	.062	426	.045	.029	47.2	Fabricated Metals(24)
115,418	55,905	19,391	.642	.096	.048	.223	.033	.017	34.7	Food, Beverage & Tobacco(41)
66,108	39,646	17,022	.798	.078	.060	.343	.033	.026	42.9	Machinery(46)
8,147	7,021	3,284	.554	.057	.086	.259	.027	.040	46.8	Mining(7)
37,918	32,400	13,450	1.087	.096	.085	.451	.040	.035	41.5	Paper & Allied Products(20)
510,125	183,705	82,031	.295	.058	.036	.132	.026	.016	44.7	Petroleum & Gas(32)
25,410	39,539	12,340	.989	.178	.156	.309	.055	.049	31.2	Pharmaceuticals(16)
54,842	32,269	12,404	.951	.071	.059	.366	.027	.023	38.4	Primary Metals(18)
8,273	14,942	8,129	1.657	.227	.181	.901	.123	.098	54.4	Printing & Publishing(9)
22,106	6,767	2,532	1.414	.046	.031	.529	.017	.011	37.4	Rubber(9)
20,341	15,355	5,066	.948	.088	.075	.313	.029	.025	33.0	Stone, Clay & Glass(16)
14,464	13,084	4,366	1.286	.157	.090	.429	.052	.030	33.4	Textiles & Apparel(16)
165,161	69,954	27,932	[1]	.065	.042	[1]	.026	.017	39.9	Transportation Equipment(20)
$1,324,834	$699,380	$293,531	.576	.077	.053	.242	.032	.022	42.0	TOTAL—(359)
										NONMANUFACTURING
$ 88,732[2]	$ 66,590	$ 17,263	.913	.008	.075	.237	.002	.019	25.9	Banks(82)
15,488	8,605	2,800	.621	.031	.056	.202	.010	.018	32.5	Business Services(18)
11,613	4,218	1,244	.470	.063	.036	.139	.018	.011	29.5	Engineering & Construction(5)
9,275[2]	3,464	1,082	.671	.018	.037	.210	.006	.012	31.2	Finance(6)
89,795	46,478	14,844	.744	.013	.052	.238	.004	.017	31.9	Total—Insurance(64)
66,954[3]	35,333	11,625	.786	.011	.053	.259	.004	.017	32.9	Life(44)
22,841[4]	11,144	3,219	.636	.022	.049	.184	.006	.014	28.9	Property/Liability(20)
75,346	39,437	7,294	1.671	.079	.052	.309	.015	.010	18.4	Merchandising(15)
84,922	45,012	11,752	.392	.027	.053	.102	.007	.014	26.1	Telecommunications(23)
30,838	15,794	4,203	.637	.041	.051	.169	.011	.014	26.6	Transportation(11)
85,613	30,271	8,481	.287	.017	.035	.080	.005	.010	28.0	Utilities(75)
$ 491,622	$259,869	$ 68,963	.601	.015	.053	.160	.004	.014	26.5	TOTAL—(300)
$1,816,456	$959,249	$362,494	.582	.036	.053	.220	.014	.020	37.8	GRAND TOTAL—(659)
$1,635,196	$804,656	$303,876	.504	.034	.049	.190	.013	.019	37.8	1979 Grand Total—(724)

[2] Total operating income.
[3] Net gains less policyholder dividends.
[4] Net income less policyholder dividends and capital gains.
[5] Income less policyholder dividends.
[6] Earned premiums less policyholder dividends.

Table VIII
Support of Education as a Percentage of Worldwide Pretax Net Income—Low, Mean, Median and High, 1980

Industry*	Low	Mean	Median	High
MANUFACTURING				
Chemicals(42)	0.011	0.294	0.262	1.319
Electrical Machinery(41)	0.003	0.244	0.229	1.101
Fabricated Metals(23)	0.045	0.424	0.218	1.667
Food, Beverage & Tobacco(41)	0.021	0.223	0.236	1.289
Machinery(40)	0.026	0.297	0.209	5.706
Mining(7)	0.036	0.259	0.289	0.479
Paper & Allied Products(20)	0.046	0.451	0.277	1.216
Petroleum & Gas(32)	0.021	0.132	0.088	0.410
Pharmaceuticals(16)	0.089	0.309	0.215	0.932
Primary Metals(17)	0.056	0.364	0.190	2.844
Printing & Publishing(9)	0.171	0.901	0.460	1.943
Rubber(7)	0.081	0.313	0.236	1.041
Stone, Clay & Glass(15)	0.023	0.310	0.222	1.109
Textiles & Apparel(14)	0.072	0.422	0.297	1.474
Transportation Equipment(15)	0.036	0.256	0.229	1.749
TOTAL—(339)	0.003	0.215	0.229	5.706
NONMANUFACTURING				
Banks(81)	0.027	0.233	0.237	1.402
Business Services(18)	0.003	0.202	0.168	0.754
Engineering & Construction(4)	0.109	0.135	0.394	1.028
Finance(6)	0.087	0.210	0.169	3.176
Total—Insurance(70)	0.019	0.234	0.202	1.290
Life(49)	0.026	0.259	0.224	1.290
Property/Liability(21)	0.019	0.180	0.171	0.581
Merchandising(15)	0.068	0.276	0.306	1.116
Telecommunications(24)	0.028	0.112	0.093	0.234
Transportation(10)	0.017	0.155	0.117	0.336
Utilities(75)	0.008	0.080	0.068	0.685
TOTAL—(303)	0.003	0.162	0.161	3.176
GRAND TOTAL—(642)	0.003	0.201	0.198	5.706

* Excludes net loss companies.

The Survey Results (Continued)

The industrywide percentages, or means, of pretax net income given to education are calculated by dividing the total educational contributions reported by the companies in each industry by the total pretax net income reported by those companies. These percentages are affected not only by the number of large companies within the industry sample but also by the size of their education contributions in relation to their PTNI. One way to discover the influence of these two factors is to compare the mean with the median for each industry as is done in **Table VIII.**

The median is not affected by the size of the extreme values for the group, but the industrywide mean is. The difference between the mean and the median is very much influenced by the nature of the companies in the halves above and below the median. When the large companies in an industry give at percentage rates above the median, the industrywide mean will be above the median. This will be especially true if a large company gives at or near the highest percentage rate in the industry. Conversely, when large companies give at below-the-median rates, the mean will be below the median.

All but two of the manufacturing industries shown on Table VIII—food, beverage and tobacco and mining—have means above the medians, indicating that the companies giving at rates above their industry median are indeed the large companies. Yet the mean for the manufacturing companies as a group is below the median. The large givers in a single industry may skew the ratio for their group, but their size tends to be counterbalanced in the larger sample. Differences between the mean and median for the nonmanufacturing groups are much smaller than for the manufacturers, both as a whole and for individual industries.

These data, especially for the manufacturing companies, are further evidence of the large-company bias in the survey sample and suggest that industrywide means may not always typify the industry.

By Company Size

Table IX compares the manufacturing companies by size of worldwide PTNI, assets and sales. The medians for these measures indicate that half of the reporting companies have PTNI greater than $96 million, assets above $894 million, and sales of more than $1.25 billion. These median figures fall well within the ranges for pretax net income, assets and sales reported by the *Fortune 500* companies and are thus further evidence that the survey respondents in the manufacturing industries are predominantly large companies.

In general, there is an inverse relationship between contributions and corporate size as measured by all three factors. The larger the PTNI, assets and sales of the 359 manufacturing companies in the survey, the smaller the percentages given for all philanthropic purposes and for education support.

On the other hand, the importance of education support to total contributions is in general directly related to the size of the manufacturing companies regardless of how measured. The larger companies gave more heavily to education as part of their contributions programs than did the smaller companies.

By Marketing Area

Comparing companies by geographic location is also useful. **Table X** shows education support as a percentage of PTNI and of total contributions for the 451 companies located in 21 major marketing areas.

The ranges both of the dollar figures and of the percentages are wide, partially because of the wide variation in the number of companies reporting from each of the locations. Although these relationships should be approached with caution because of changes in both the composition of the sample and business conditions in any one year, analysis of the rankings of the locations for both measures over the last five years uncovers more consistency than might at first be expected. Rankings of specific marketing areas by percent of PTNI devoted to education change every year, but many of these changes are within a fairly restricted range. For example, an area that ranks in the top third, that is, 1 through 7, usually ranks within that same range over a period of time. Indeed, 13 of the 20 locations that have participated in the survey since 1975 exhibited such stability with respect to the ratio of education support

Table IX
Contributions by Manufacturing Companies, by Size of Worldwide Pretax Net Income, Assets and Sales, 1980

Pretax Net Income	% of PTNI		Support of Education as % of Total Contributions
	Total	Education	
Net Loss(20)			42.0
Net Income less than $5 million(20)	1.914	0.525	27.4
$ 5 million under $ 10 million(17)	1.568	0.448	28.6
$ 10 million under $ 25 million(33)	1.140	0.402	35.2
$ 25 million under $ 50 million(46)	1.273	0.394	31.0
$ 50 million under $100 million(58)	0.804	0.302	37.6
$100 million under $250 million(70)	0.788	0.330	41.8
$250 million under $500 million(44)	0.627	0.254	38.7
$500 million under $ 1 billion(22)	0.703	0.287	40.8
$ 1 billion and over(29)	0.375	0.167	45.3
All Manufacturing Companies(359)	0.576	0.242	42.0

Assets	% of Assets		
Less than $25 million(3)	0.208	0.104	50.0
$ 25 million under $ 50 million(8)	0.128	0.043	34.1
$ 50 million under $100 million(19)	0.155	0.050	32.2
$100 million under $250 million(57)	0.104	0.033	31.4
$250 million under $500 million(57)	0.099	0.032	31.9
$500 million under $ 1 billion(45)	0.088	0.040	45.6
$ 1 billion under 2.5 billion(78)	0.092	0.034	36.8
$ 2.5 billion under $ 5 billion(44)	0.091	0.035	38.7
$ 5 billion under $ 10 billion(30)	0.076	0.035	46.1
$ 10 billion and over(18)	0.064	0.028	44.5
All Manufacturing Companies(359)	0.077	0.032	42.0

Sales	% of Sales		
Less than $25 million(1)	0.267	0.200	75.0
$ 25 million under $ 50 million(5)	0.093	0.044	47.5
$ 50 million under $100 million(7)	0.067	0.017	25.0
$100 million under $250 million(37)	0.072	0.025	34.2
$250 million under $500 million(56)	0.073	0.021	29.4
$500 million under $ 1 billion(61)	0.062	0.023	37.3
$ 1 billion under $ 2.5 billion(74)	0.064	0.028	43.5
$ 2.5 billion under $ 5 billion(58)	0.075	0.029	38.4
$ 5 billion under $ 10 billion(34)	0.055	0.022	41.0
$ 10 billion and over(26)	0.043	0.019	45.0
All Manufacturing Companies(359)	0.053	0.022	42.0

Table X
Support of Education by Major Marketing Areas, 1980

Marketing Area	Worldwide Pretax Net Income (millions)	Support of Education (000)	Support of Education as % of PTNI %	Rank	Total Contributions (000)	Support of Education as % of Total Contributions %	Rank
Akron(7)	$ 611	$ 2,287	.374	2	$ 6,356	36.0	11
Baltimore(10)	537	626	.117	17	3,023	20.7	21
Boston(18)	1,717	6,216	.362	4	12,755	48.7	1
Chicago(58)	12,351	22,335	.181	14	73,457	30.4	18
Cincinnati-Dayton(16)	2,740	7,519	.274	8	16,304	46.1	2
Cleveland(15)	5,751	7,896	.137	15	19,488	40.5	5
Dallas-Ft. Worth(12)	2,565	2,976	.116	18	9,637	30.9	17
Des Moines(6)	201	738	.368	3	1,831	40.3	8
Detroit(11)	—4,140*	18,318	*	*	42,580	43.0	3
Hartford(12)	2,478	7,004	.283	7	20,981	33.4	14
Houston(15)	6,598	8,924	.135	16	20,820	42.9	4
Indianapolis(6)	1,025	1,032	.101	20	4,383	23.5	20
Kansas City(3)	301	347	.115	19	1,144	30.3	19
Los Angeles(26)	7,692	19,655	.256	10	58,137	33.8	12
Milwaukee(15)	835	2,429	.291	6	7,688	31.6	15
Minneapolis-St. Paul(23)	3,091	13,339	.432	1	39,732	33.6	13
New York, Westchester, Southern CT/NJ(122)	67,312	122,701	.182	13	313,011	39.2	9
Philadelphia(26)	4,880	10,986	.225	11	29,090	37.8	10
Pittsburgh(20)	7,690	16,225	.211	12	40,186	40.4	7
St. Louis(8)	1,847	5,731	.310	5	18,427	31.1	16
San Francisco(22)	9,127	23,326	.262	9	59,251	40.4	6

* For the 7 companies reporting a profit, support of education was .150 percent of PTNI (rank 14-15) and 28.0 percent of total contributions (rank 19-20).

to PTNL as can be seen from the following tabulation:

Top Third: Akron, Des Moines, Minneapolis-St. Paul, Pittsburgh, St. Louis

Middle Third: Chicago, Cincinnati-Dayton, Hartford, New York, Philadelphia

Lower Third: Dallas-Fort Worth, Houston, Indianapolis

A similar pattern is derived from an analysis of rankings by percentage of total contributions allocated to education, as follows:

Top Third: Boston, Cincinnati-Dayton, Detroit, Houston, Pittsburgh

Middle Third: Akron, Philadelphia

Lower Third: Baltimore, Chicago, Dallas-Fort Worth, Indianapolis

There is little duplication in the cities on each list. This lack of close relationship between the two measures has been seen in previous analyses.

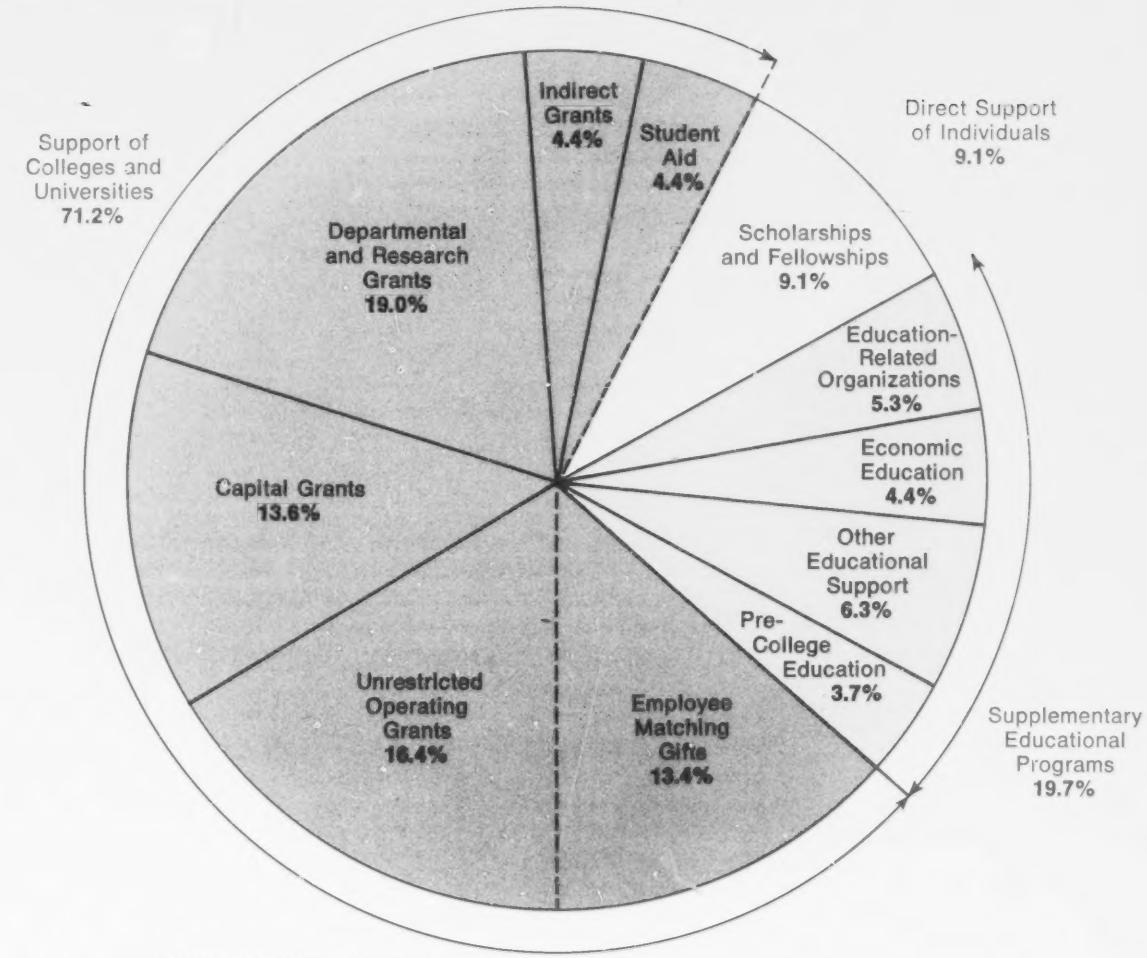
In sum, rankings in any particular year may not be an accurate picture of an area's giving patterns, but over time there is some consistency in where the areas stand with respect to both measures.

By Purpose

One of the more interesting analyses of education support is the breakdown by categories of purpose. The information supplied by 727 companies about how they allocated their grants is shown in **Table XI**, along with similar data for 756 companies in 1978, the last survey year in which such information was requested. There is remarkable consistency between the two years in regard to support for colleges and universities vis-a-vis support for all other educational purposes. At the same time there are some notable shifts in emphasis within various categories of institutional support. Departmental and research grants have been increasing each year since 1975 and in 1980 for the first time received the largest share of corporate support given to any single purpose. Employee matching gifts have also been increasing as a share of college and university support, having risen from 9.6 percent in 1975 to 13.4 percent in 1980.

Unrestricted grants, on the other hand, decreased as a share of support between 1978 and 1980, but since matching gift funds are usually not restricted as to purpose, the total share of funds available for use at the discretion of the institutions remained constant over the two-year period. In an analagous situation, the share of dollars contributed to colleges for student aid declined, but corporate support of scholarships and fellowships not channeled through the institutions increased

Chart 3
Corporate Support of Education, by Purpose, 1980



* Based on data from 727 companies

Table XI
Support of Education by Purpose

	1980		1978	
	Amount	% of Total	Amount	% of Total
Support of Colleges and Universities				
Direct Grants				
Unrestricted operating grants	$ 55,964,379	16.4	$ 43,825,600	18.5
Student aid	15,266,364	4.4	13,347,400	5.6
Departmental and research grants	64,684,605	19.0	41,816,100	17.7
Capital grants (including endowment)	46,374,217	13.6	32,428,000	13.7
Employee matching-gift programs	45,417,756	13.4	25,228,700	10.7
Total Direct Grants	$227,707,321	66.8	$156,645,800	66.1
Indirect Grants through Fund-Raising Consortia	14,854,354	4.4	12,068,200	5.1
Total Support of Colleges and Universities	$242,561,675	71.2	$168,714,000	71.2
Scholarships and Fellowships	31,179,990	9.1	20,353,100	8.6
Education-Related Organizations				
Economic education	15,135,011	4.4	11,488,400	4.9
Other	18,170,118	5.3	11,587,000	4.9
Precollege Educational Organizations	12,689,035	3.7	7,060,900	3.0
Other Educational Support	21,464,025	6.3	17,649,200	7.4
Total Allocated	$341,199,854	100.0	$236,852,600	100.0
Total Unallocated	34,647,019		19,406,600	
GRAND TOTAL	$375,846,873		$256,259,200	

as a percentage of total gifts, so that overall the proportion of funds for support of students was stable. The respondents also reported increasing the proportion of contributions made to precollege education organizations, reversing a downward trend since 1974.

Industry differences in allocating education grants are shown in **Table XII** for a subgroup of companies. Although allocations for this smaller group of companies are not exactly the same as for the total group of respondents, the patterns by industry are of value. There are a number of differences between manufacturers and nonmanufacturers in the purposes for which each makes contributions. Manufacturers devote more than twice as much of their programs to departmental and research grants and to student aid than do the nonmanufacturers. The nonmanufacturing companies, on the other hand, exceed the manufacturing companies in the share of gifts they make for unrestricted purposes, for capital purposes and as a result of matching gifts. These overall comparisons mask quite large variations in the emphases on the various purposes by different industries. Because the number of respondents in some industries is small, however, the breakdowns may not be typical of the whole industry.

Table XII
Percentage Distribution of Purposes of Educational Support, 1980

Industry	Total Support of Education (millions)	Support of Colleges and Universities: Direct Grants: Unrestricted Operating Grants	Direct Grants: Student Aid	Direct Grants: Dept. & Research Grants	Direct Grants: Capital Grants	Direct Grants: Employee Matching Gifts	Indirect Grants Thru Fund-Raising Consortia	Other Educational Support: Scholarships & Fellowships	Economic Education	Educ. Related Orgns.	Precol. Educ. Inst.	Other
MANUFACTURING												
Chemicals(35)	$ 27,700	24.0	4.4	30.9	8.4	7.8	4.3	7.4	4.0	4.0	3.6	1.2
Electrical Machinery(32)	17,193	18.8	2.4	23.3	9.4	10.4	5.4	10.2	4.8	3.3	3.5	8.3
Fabricated Metals(18)	3,103	18.9	10.7	5.7	13.7	18.0	3.5	13.8	5.4	3.8	3.3	3.0
Food, Beverage & Tobacco(24)	13,037	19.7	4.3	22.2	8.4	10.9	9.0	9.7	5.7	4.1	3.1	2.8
Machinery(32)	10,697	18.8	2.1	11.7	18.0	14.4	5.2	7.6	6.1	4.2	4.0	7.9
Mining(5)	2,921	16.0	2.0	20.0	9.2	13.5	1.2	24.2	3.0	0.9	1.8	8.2
Paper & Allied Products(17)	11,381	13.0	13.6	17.1	8.4	5.7	3.1	9.2	15.8	5.2	7.2	1.8
Petroleum & Gas(24)	74,207	11.2	5.4	26.5	16.9	13.8	2.9	5.4	3.2	8.3	1.7	4.6
Pharmaceuticals(11)	10,249	3.8	3.2	29.2	14.3	6.9	6.0	13.2	1.6	7.8	2.9	10.9
Primary Metals(16)	11,877	15.5	5.3	14.0	20.8	14.2	3.3	12.8	5.2	3.9	2.2	2.5
Printing & Publishing(10)	8,248	8.8	0.7	9.0	15.0	13.3	2.3	4.0	1.2	6.4	5.0	34.2
Rubber(7)	2,254	17.6	5.5	13.3	5.3	19.3	6.2	14.2	14.2	1.0	3.3	N.S.
Stone, Clay & Glass(10)	3,308	9.5	10.7	5.7	9.1	14.9	5.0	6.3	10.5	12.4	14.3	1.6
Textiles & Apparel(11)	1,232	26.7	1.4	4.0	11.0	9.0	N.S.	25.4	10.8	0.1	11.6	N.S.
Transportation Equipment(17)	26,254	25.7	7.9	6.4	11.8	11.4	6.3	5.2	2.6	3.2	1.2	18.2
TOTAL—(269)	$223,658	16.1	5.4	20.9	13.4	11.8	4.3	7.8	4.5	5.6	3.0	7.1
NONMANUFACTURING												
Banks(65)	15,823	23.4	2.8	8.8	17.6	13.2	4.5	5.2	5.7	3.1	12.2	3.4
Business Services(15)	2,961	29.8	0.8	6.7	2.0	28.6	2.2	7.0	10.7	4.1	6.6	1.4
Engineering & Construction(3)	1,113	4.9	0.2	43.5	11.3	30.6	1.3	1.1	2.8	2.3	0.7	1.1
Finance(6)	1,312	37.9	6.3	2.7	1.1	10.2	0.4	22.2	8.7	3.9	5.6	0.9
Total—Insurance(70)	16,433	13.6	3.2	11.6	11.2	19.9	7.8	10.3	4.2	4.0	3.6	10.6
Life(45)	11,225	12.1	4.0	7.0	9.7	23.0	8.6	10.2	4.2	3.1	4.4	13.6
Property/Liability(25)	5,208	17.1	1.4	21.4	14.4	13.0	6.2	10.6	4.1	6.2	1.5	4.2
Merchandising(10)	6,423	33.5	0.4	6.9	14.3	4.5	2.7	9.5	3.7	13.0	7.2	4.2
Telecommunications(17)	9,942	18.0	4.0	5.1	19.9	18.1	5.8	11.1	6.9	7.4	1.4	2.4
Transportation(9)	3,907	21.3	4.6	4.3	26.5	7.1	14.9	6.3	7.1	2.9	2.4	2.5
Utilities(55)	7,119	33.4	2.2	6.3	25.2	6.3	4.2	6.4	7.6	4.1	2.8	1.6
TOTAL—(250)	$ 65,033	22.4	2.8	8.6	16.2	14.6	5.7	8.4	5.8	5.1	5.7	4.7
GRAND TOTAL—(519)	$288,691	17.5	4.8	18.1	14.0	12.4	4.6	8.0	4.8	5.5	3.6	6.6

Appendix

The Problems of Measuring Total Corporate Contributions Nationally

At the present time the only nationwide data on total corporate philanthropy in the United States are those tabulated by the Internal Revenue Service (IRS) from the corporate income tax returns filed each year. In some instances these figures include monies that were not actually paid to donees in that year, and in other cases they do not include all of the contributions dollars received by charitable organizations in the year. The magnitude of the differences between the IRS figures and actual contributions is not known, yet there is ample reason to believe that it is significant and that it varies from year to year, depending upon business conditions and other elements. There are four factors contributing to this situation.

1. The figures reported by corporations on their income tax returns *include* contributions to company-sponsored foundations but *exclude* the gifts and grants made by these foundations. Company foundations were established primarily to insulate the flow of contributions from the ups and downs of the business cycle. Typically, therefore, the amounts given by a company to its foundation in a prosperous year will exceed the contributions made by that foundation, thus enabling the foundation to add to its reserve against leaner times. The IRS figures in this year will overstate the amounts actually given to donees. Conversely, in depressed times when company payments either slow or stop completely, the foundation will draw upon its reserves to maintain the level of its contributions program. The IRS figures for these years will understate actual gifts and grants.

2. The tax code allows for carryovers of contributions from past years and into the future, thus distorting reported amounts of gifts and grants. The tax code provides that certain exclusions and deductions, not ordinarily recognized by generally accepted accounting principles, may be used by corporations in calculating their taxable income. These provisions can result in taxable income that is significantly lower than pretax net income. The code also provides that up to 5 percent of taxable income may be deducted for charitable contributions. Anytime that contributions exceed this 5 percent, the excess contributions have to be carried over into the following year (Section 170(d)(2)). An unknown portion of the amount reported by corporations to the IRS *includes* excesses from previous years and *excludes* amounts paid during the current year that are being carried into future years.

3. Many companies use the right to "prepay" contributions, as provided in Section 170(a)(2) of the tax code. Under certain circumstances contributions made in the first two and a half months of a year may be taken as a deduction from the prior year's income. An undetermined amount of the contributions reported to the IRS include funds that were actually disbursed in the following year, under this provision.

4. There are special provisions under which mutual insurance companies, mutual savings banks, savings and loan associations and similar corporations may compute income taxes without reference to charitable contributions. In these situations the companies do not have to report their contributions when filing their tax returns. The size of these omissions is not known, but their effect is to cause the IRS figures to understate contributions amounts.

It is clear therefore that the total amount actually received by charitable organizations in any given year will differ from the amounts tabulated by the IRS from corporate income tax returns for that year. Although the size of these differences is not known, 30 percent of the respondents to the 1980 survey indicated that the amounts reported on the company tax return were not the same as those reported in the survey as actual contributions in 1980. It is hoped that the accumulation of data from the companies participating in this survey over the years will provide a basis for making adjustments to the IRS data in the future so that more accurate estimates of the actual annual receipt of philanthropic dollars can be made.

Definitions: Contributions

Because of the problems with IRS tabulations of contributions data outlined above, this report contains figures with different bases. The national contributions totals in Table I are from the IRS; all other figures on total contributions and support of education are based on figures reported by the respondents and *include* gifts and grants made by their company-sponsored foundations, as well as contributions made directly by the companies themselves, but *exclude* payments by the companies into their foundations. In addition, most of these figures are for payments actually made during the year and exclude any carryovers or prepayments reported for income tax purposes.

Definitions: Financial Data

The information regarding sales, assets and pretax net income is what the survey respondents reported to their stockholders and to the financial community in their consolidated financial statements. It includes dollars derived from

overseas sources as well as from domestic operations. The data for companies without international operations are included in the "worldwide" figures. At the same time a number of companies expressed an interest in information related only to operations in the United States since most contributions are limited to institutions in this country. A few comparisons are made using this domestic data, although worldwide figures are used in most of the analyses. The Conference Board's *Annual Survey of Corporate Contributions* includes additional tables with detailed comparisons of "U.S. Only" data.

Survey Biases

The survey is not representative of the entire corporate community of some 2.5 million companies. The respondents are heavily weighted by the largest companies in terms of sales, assets and earnings, and the same bias is present in each of the industrial and geographic groupings. There are also disproportionately large numbers of companies in several manufacturing industries and in banking, life insurance and the utilities, while companies in mining, finance and engineering and construction are significantly underrepresented.

Comparisons of Percentages by Groupings

The percentage relationships for the various groupings of respondents to this survey express the percentages that total and education contributions are of the several financial measures. To calculate the percentage that education support is of PTNI by industry, for example, the total educational contributions reported by the companies in the industry are divided by the total PTNI reported by these companies. The resulting percentage for that group of respondents reflects the composition of the particular group and is influenced by the various sizes of the component companies. It is in no way representative of the total universe of companies in the industry and can indeed be skewed in any one year by the inclusion of a single company that dominates the industry or by a large number of small or atypical companies.

Other ways to compute averages exist, some of which may be useful in dealing with nonrepresentative samples and in correcting for the skewing possible by extreme variations in the size of respondents. One procedure is to calculate the percentage for each company, add those of all companies in the group, and divide the sum by the number of companies in the sample. Obviously, there can also be distortions when this method is used.

The results of the two methods are quite different, as is shown in the following tabulation of the percentages total contributions are of PTNI for the groups reported in Table VII. As can be seen, the variations in the results derived by the two methods are wide.

Although there are persuasive arguments for each, it was decided to continue using the industrywide percentages, or means, in this report because of the value of being able to make industry comparisons over time.

Industry	Means	Averages of the Percentages
Chemicals	.294	.361
Electrical Machinery	.244	.308
Fabricated Metals	.424	.410
Food, Beverage & Tobacco	.223	.296
Machinery	.297	.492
Mining	.259	.260
Paper & Allied Products	.451	.385
Petroleum & Gas	.132	.118
Pharmaceuticals	.309	.348
Primary Metals	.364	.563
Printing & Publishing	.901	.648
Rubber	.313	.426
Stone, Clay & Glass	.310	.303
Textiles & Apparel	.422	.461
Transportation Equipment	.256	.317
Manufacturing Companies	.215	.360
Banks	.233	.303
Business Services	.202	.219
Engineering & Construction	.135	.558
Finance	.210	.756
Total—Insurance	.234	.261
Life	.259	.286
Property/Liability	.180	.203
Merchandising	.276	.307
Telecommunications	.112	.100
Transportation	.155	.140
Utilities	.080	.100
Nonmanufacturing Companies	.162	.232
All Companies	.201	.300

CFAE BOARD OF DIRECTORS

John T. Fey, *Chairman*
Chairman, Equitable Life Assurance Society of the United States

Paul E. Bragdon, President
Reed College

James E. Burke, Chairman
Johnson & Johnson

John F. Burlingame, Vice Chairman
General Electric Company

Jill K. Conway, President
Smith College

Samuel DuBois Cook, President
Dillard University

Donald F. Craib, Jr., Vice Chairman
Sears, Roebuck and Co.

James L. Ferguson, Chairman
General Foods Corporation

A. Bartlett Giamatti, President
Yale University

Floyd D. Gottwald, Jr., Chairman
Ethyl Corporation

Thomas A. Graves, Jr., President
The College of William and Mary

Hanna H. Gray, President
The University of Chicago

John R. Haire, President
Council for Financial Aid to Education

Philip M. Hawley, President
Carter Hawley Hale Stores, Inc.

Timothy S. Healy, S.J., President
Georgetown University

Walter S. Holmes, Jr., Chairman
C.I.T. Financial Corporation

Charles E. Hugel, Executive Vice President
American Telephone and Telegraph Company

Raymond C. Johnson, Chairman
Executive Committee, Council for Financial Aid to Education

Harold W. McGraw, Jr., Chairman
McGraw-Hill, Inc.

Frank Newman, President
University of Rhode Island

John R. Opel, President
International Business Machines Corporation

Lewis T. Preston, Chairman
Morgan Guaranty Trust Company of New York

John W. Ryan, President
Indiana University

Richard R. Shinn, Chairman
Metropolitan Life Insurance Company

John G. Smale, President
The Procter & Gamble Company

S. Bruce Smart, Jr., Chairman and President
The Continental Group, Inc.

Roger B. Smith, Chairman
General Motors Corporation

Michael I. Sovern, President
Columbia University

Alton W. Whitehouse, Jr., Chairman
The Standard Oil Company (Ohio)

Courtney C. Brown, *Honorary Director*
Dean Emeritus, Graduate School of Business, Columbia University

CFAE BOARD OF ADVISORS

James G. Affleck, Chairman
American Cyanamid Company

Edward B. Bates, Chairman
Connecticut Mutual Life Insurance Company

John W. Berry, Chairman
L. M. Berry and Company

George H. Dixon, President
First Bank System, Inc.

Edward S. Donnell, Chairman
Montgomery Ward & Co., Inc.

Gaylord Donnelley, Chairman, Executive Committee
R. R. Donnelley & Sons Company

Curtiss E. Frank, Retired President
Dun & Bradstreet Inc.

William D. Grant, Chairman
Business Men's Assurance Company of America

Francis M. Hipp, Chairman
The Liberty Corporation

Leland H. Johnson, Retired President
First Interstate Bank of Oregon

James W. Keay, Vice Chairman
Republic of Texas Corporation

Malcolm MacNaughton, Chairman, Executive Committee
Castle & Cooke, Inc.

C. Peter McColough, Chairman
Xerox Corporation

Dean A. McGee, Chairman
Kerr-McGee Corporation

Ruben F. Mettler, Chairman
TRW Inc.

J. Irwin Miller, Chairman, Executive and Finance Committee
Cummins Engine Company, Inc.

Franklin D. Murphy, Chairman, Executive Committee
The Times Mirror Company

Robert T. Person, Chairman
Public Service Company of Colorado

Henry R. Roberts, Presiding Director
Connecticut General Corporation

Bruce M. Rockwell, Chairman
Colorado National Bank

Brenton H. Rupple, Chairman
Robert W. Baird & Co. Inc.

Andrew C. Sigler, Chairman
Champion International Corporation

Charles G. Steele, Managing Partner
Deloitte Haskins & Sells

Eugene F. Williams, Jr., Chairman
St. Louis Union Trust Company

CFAE STAFF OFFICERS

John R. Haire, President

Hayden W. Smith, Senior Vice President

Z. Kriz Bent, Vice President

Edward M. Crane, Jr., Vice President

Donald M. Elliman, Vice President

Robert McC. Jordan, Vice President

Arthur C. Kammerman, Vice President

DuBois S. Morris, Jr., Vice President

Anne Ellison, Secretary

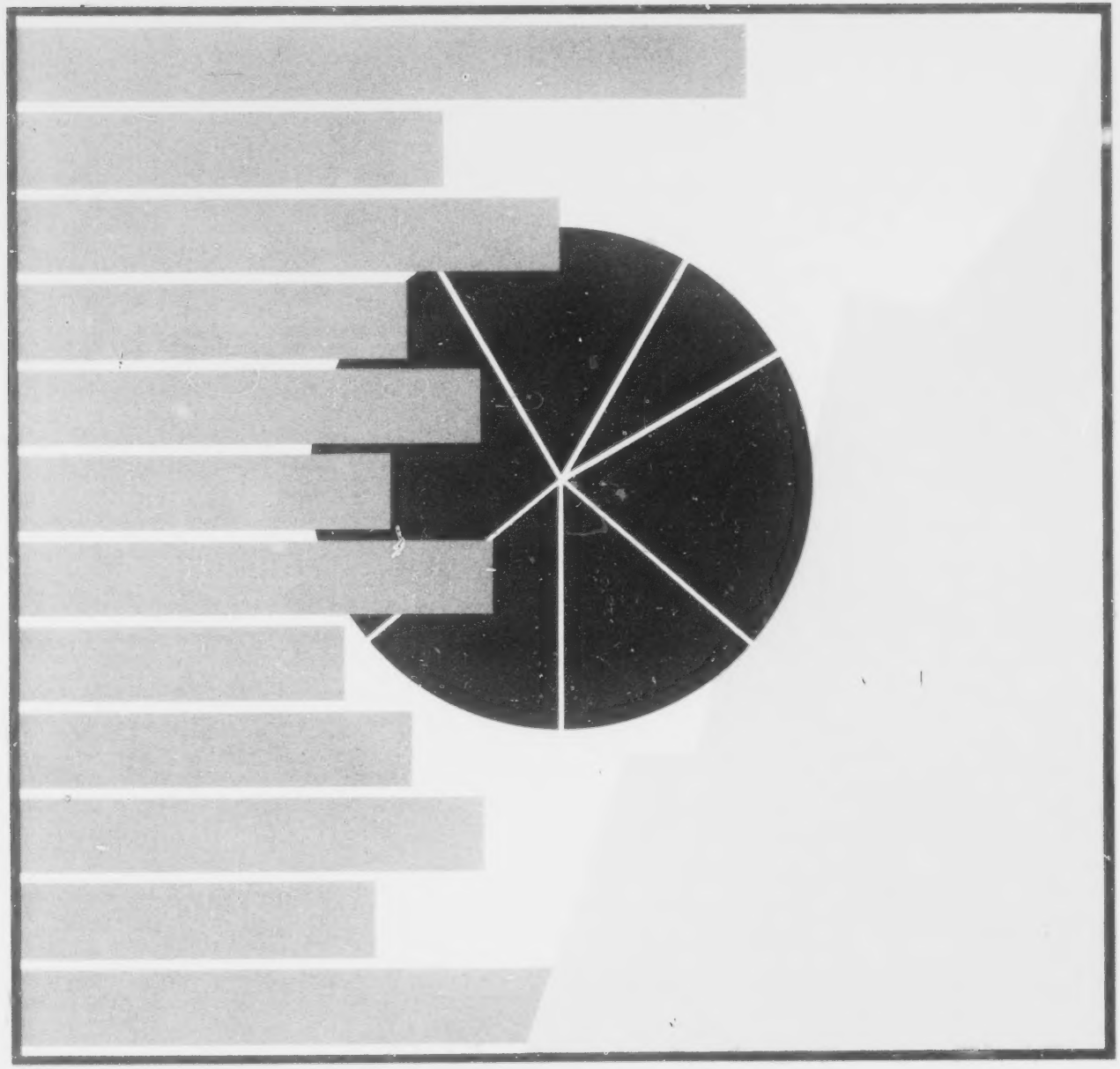
Anne F. Decker, Assistant Vice President

Joan McC. Lundberg, Director, Editorial Services

Further Information and Counseling Available

Those interested in initiating, expanding or improving a corporate aid-to-education program are invited to write, telephone, or visit the Council for individualized assistance. In addition to publications on corporate and other voluntary support of education and on many related subjects, the Council offers, without charge or obligation, the consulting services of its senior staff and the facilities of its research library to interested corporate executives. These resources are made available to the business community in order to further the corporate aid-to-education movement and to promote the interests of both higher education and business.

GIVE
TO THE
COLLEGE
OF YOUR
CHOICE



CFAE

**Council for Financial Aid
to Education, Inc.**

680 Fifth Avenue
New York, N.Y. 10019
212/541-4050